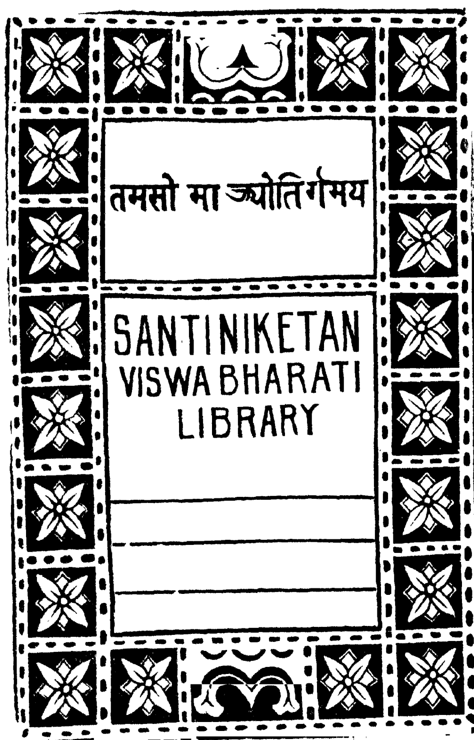

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THE CASE

FOR

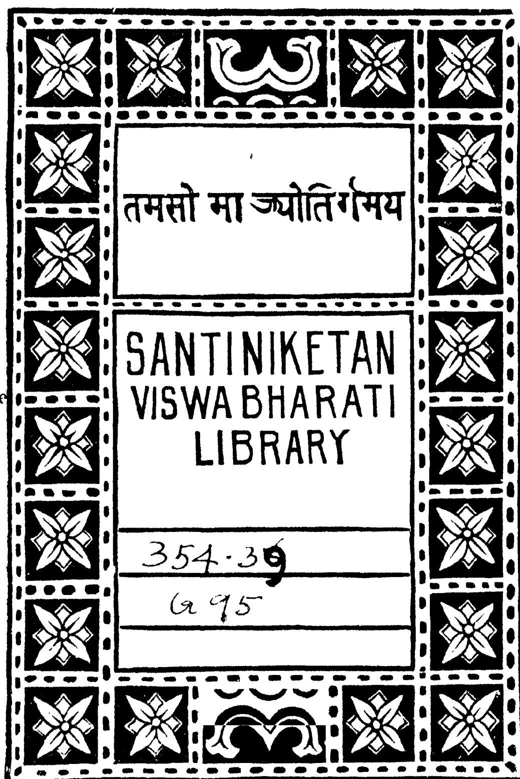
FINANCIAL JUSTICE TO BENGAL

BY

J. N. GUPTA, M.A., I.C.S. (RETD.)



CALCUTTA UNIVERSITY PRESS
1931


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Acharyya Sir P. C. RAY

as a token of

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CONTENTS

SECTION V

SECTION VI

SECTION VII

The Case for Financial Justice to Bengal

I

Opportuneness of controversy—objects and scope of work.

In preparing a brief for a juster financial treatment of Bengal one may doubt whether this is quite an opportune moment for the presentation of our case. In fact, quite recently when I appealed for help to a distinguished Bengalee holding a high position in the Government hierarchy and an acknowledged authority on Indian finance, he unceremoniously asked me, " Do you want self-government for India from the Round Table Conference or do you want Bengal to secure larger revenues for her administration ? " And when I turned to the distinguished Bengal official, also an expert on Bengal finance, who is representing Bengal on the Round Table Conference, he blandly told me, " There is very little hope, I am afraid I shall get no assistance from the representatives from other parts of India. As far as they are concerned, Bengal might as well be in the bottom of the Bay of Bengal." All this was not

very encouraging and set me thinking on the expediency of attempting propaganda on the subject just now. I have weighed carefully the issues involved and in my humble judgment this appears to be the psychological moment. I do not quite see how India's demand for self-government will be in any way prejudiced if the individual States forming Greater India show an intelligent grasp of their own future destiny and of the trials awaiting them, as long as they are prepared to sink their own interests for the good of the greater whole. Apart from the obvious consideration that any financial arrangements that might now be settled, either at the Round Table Conference or immediately afterwards, will be unalterable at least for another stage of our constitutional evolution, there is another and far more vital consideration connected with the solution of a problem which I consider to be of the highest national importance. To my mind the real inwardness of our struggle to obtain self-government is to obtain control of our financial resources, so that they may be diverted to national channels to fructify the Indian soil and build up Indian prosperity and nationhood. To those, however, who have given any thought to the truly gigantic proportions and vastness of the problems confronting India it must be obvious that, even though a national government were to be established in India and placed in control of all her available

resources, no substantial or at any rate rapid progress will be possible unless the new constitution and the new scheme of administration cut their moorings completely from the bureaucratic and pseudo-oriental frame-work of the existing Indian Government, and practise stringent economy and bring about a radical change in the scale of expenditure of public revenues. The view-point which should in my humble judgment guide the deliberations of those who are just now engaged in framing a scheme of self-government for India would be steadfast adherence to the principle that no constitution for India will be worth anything which will fail to place sufficient revenues at the disposal of the Government, to carry out those primary reforms for the moral and material advancement of the vast masses of the people which have been so long neglected. In making this the first plank of his demand before the Round Table Conference, Mahatma Gandhi has justified the trust which the Indian people have reposed in him.

2. If this small brochure helps to draw attention to this fundamental issue of the entire Indian problem, it will in my humble judgment achieve an useful object. For it must be obvious that any serious and sincere attempt to meet the claims of the semi-starved Provinces, while leaving sufficient funds at the disposal of the Central Government, must necessarily rivet attention on the necessity of making India mistress of her own fortunes and

free to practise those economies whose virtues her sons are so loudly extolling in theory. In seeking to draw attention to the miserable plight of the Province of Bengal, my primary object is to warn the framers of the new constitution against a continuance of the colossal mistake of the present Reform Scheme of producing an imposing instrument, which has, as far as the primary object of advancing the welfare of the people of India is concerned, refused to function for want of sufficient fuel to drive the locomotive.

3. Bengal's first and foremost quarrel is with the whole scheme of the existing administration with its scheme of imperial defence and setting up of the courts and cabinets of the Viceroy and Governors vying with the pomp and circumstance of the old Moghuls, and leaving so little, hardly anything, for the national departments of the poor provinces on whom has fallen the duty of ministering to the moral and material advancement of the people. Bengal's second, though no less urgent, grievance is that amongst all the provinces—at least the major provinces in India—hers is the most miserable lot and that she has been subjected to the most partial and cruel financial treatment for decades past. The most populous and the richest province in India—in fact the mother of all the other provinces—from whose resources the prosperity and well-being of the rest of India were built up during the beginning of the British rule

in India, she has been shorn of all her riches, till to-day she lies prostrate and bloodless—the most resourceless and unprogressive province in India.

4. I should like now to define the scope of this little booklet. I have made no special study of Indian Finance and I do not claim to make any original contributions towards the solution of the problems which I propose to discuss. In my actual daily work as a District Officer throughout my service under the Government, and lately in the Bengal Council, I have felt very keenly the resourcelessness of the Bengal Government and its impotence to undertake any measures for the amelioration of the condition of the millions of its poverty-stricken and malaria-ridden population. In 1928 I published a pamphlet on the "*Financial Starvation of Bengal*" relying chiefly on some tables and statements prepared by the Bengal Government. Since then Sir Walter Layton's thoughtful survey of the working of the financial scheme under the Reformed Constitution has been available. I have also had the advantage of going through the scholarly work on "*Provincial Finance in India*" by Professor P. N. Banerjea, Minto Professor of Economics of the Calcutta University, with whose kind permission I have made free use of his book and his valuable suggestions. My object is to produce a hand-book which in a small compass will marshal the salient features of the unsatisfactory financial position of

our province. It will not be in time for the Round Table Conference as the Federal Finance Sub-Committee has just submitted its recommendations; but the sub-committee has only laid down general principles the practical application of which is to be worked out by an expert committee to be appointed after the conclusion of the sittings of the Conference. It may therefore be of some use in the discussions of the committee or tribunal which may now be appointed for settling the financial relations of the Federal Government and the individual provinces. At any rate, it may help to focus public opinion in Bengal on this pivotal problem, and may be of some use to those of my brother Councillors who might be interested in the subject. I am fully aware of the uphill character of our task. The prevailing financial and economic depression throughout India which has so sorely crippled the resources of both the Central Government and all the provinces may be considered an inopportune moment for any attempts to still further reduce the existing resources of either the Central or any of the Provincial Governments. On the other hand, the drastic retrenchments to which the Central and Provincial Governments are now submitting may show the way to useful economies for our future guidance. The inadequate representation of Bengal at the Round Table Conference, our waning influence in the Central Legislature, our insignificance on the Congress,

are other discouraging factors. There is one thought, however, which ought to hearten and encourage us. The redress of the financial injustice to our province is a cause for which all sections of the community—Hindus, Moslems and Europeans—officials and non-officials—will readily combine and co-operate and about whose supreme importance for our national well-being there cannot be any possible difference of opinion. For whatever accession of power and authority the next stage of the Reforms may bring us, without adequate resources we shall continue to be as impotent as before to undertake any comprehensive measures for Bengal's national regeneration. If we want to keep our place as one of the leading provinces of India, we will have to unite and fight for our rights, and even if we meet with temporary failure, we are sure to win in the end, for no settlement can be final which will not be based on the principles of equity and justice.

II

General features of the financial policy of British administration—disproportionate burden of military charges—Home charges—extravagant cost of administration—starvation of national departments—Education, Health and Agriculture—general reflections.

5. The outstanding features of the revenue and financial policy of the British administration in India have been the dominance of military expenditure necessitated in the earlier days of British rule by a policy of constant aggrandisement and extension of the empire and the maintenance subsequently of an army of occupation and imperial defence ; the excessive cost of the administration due to remunerations to the public servants being fixed on an extravagant scale unparalleled even in the richest countries of the world ; and a callous indifference to the primary needs of the people in the matter of their health, education and moral and material uplift generally. I propose to deal only very briefly with the above points as these contentions are well known and are generally admitted. Thus Sir Walter Layton in his latest official review of the financial situation in India stresses the extreme poverty of the masses, the high rate of military and civil expenditure and the negligible attention paid to social services for the uplift of the people. " The average income per head of the population in India," he proceeds

to point out, "on a liberal calculation is only about £8, whereas the income per head in England is about £100. The expenditure in England on military and naval defence is 2½ p. c. on the average income, whereas in poverty-stricken India it is no less than 2 p. c. of the average annual income." At the close of the pre-Reform era in 1920-21 military charges alone mounted to the colossal figure of 75·77 crores of rupees. This has been gradually reduced, but even taking the budget for 1929-30 we find that no less than 62½ p. c. of the total expenditure of the Central Government was engrossed by the military budget which stood at 55·10 crores. The burden of this monstrously disproportionate expenditure at the cost of the national services is felt more keenly as the major portion of this outlay is for the British element in the army and therefore does not help even in any indirect way to feed the economic resources of the country. Sir Walter observes, "The Indian expenditure on armaments is between two and three times as great as that of the whole of the rest of the Empire outside Great Britain. Again, the total is not only high in itself as compared with other countries, but India is probably the only country which has not been benefited by the world movement for disarmament and her military expenditure has increased at a far more rapid rate than of any other part of the British Empire." One-third of the troops maintained

in India are British. A British soldier costs four times as much as an Indian soldier and as much as an Indian officer. A British officer costs six times as much as an Indian officer.

6. The next important item in the expenditure budget for the Central Government is debt charges which amounted to 12·9 crores in 1928-29, whilst the debt charges of the Provincial budgets amounted to 3·24 crores totalling 16 crores. The total public debt of India comes to Rs. 11,60,41 crores, out of which unproductive debts amount to Rs. 1,93,91 crores, and the rest productive debts and capital advances—to Railways 7,45,29 crores, to Commercial departments like Posts and Telegraphs 23,14 crores and to Provincial Governments 1,49,14 crores. The question how far this enormous burden can be legitimately placed on the shoulders of the Indian tax-payer was recently examined by an expert Committee of Congress financiers, and they came to the conclusion that at least 729 crores of the public debts should be debited to the British treasury. There appears to be a great deal of force in the arguments of the Congress Committee, and it is only fair that when the Indian people assume responsibility for the Indian administration, the just proportion of the share of the debt responsibilities of England and India should be apportioned by an impartial tribunal like a Committee of the League of Nations. It is satisfactory that the expert Committee

recommended to be appointed by the Finance Sub-Committee of the Round Table Conference has been specially charged with the duty of examining the pre-Federation debt, and the Chairman, Lord Peel, has given an assurance that "when India's debt is thoroughly investigated it would probably be found that India has assets, almost, if not entirely, equal to the whole of her debt." In the meanwhile it might be pointed out that Indian publicists from the days of Dadabhai Naoroji to the present day have consistently complained against the iniquity of the drain from India in the shape of 'Home Charges,' and even impartial Englishmen like Sir Charles Trevelyan have complained, that "£5,000,000 sterling a year is subtracted from the wealth of India and added to the wealth of England, which is the most serious injury which India suffers from its connexion with England." In 1889 Sir George Wingate observed that "Britain's fair share represented by the degree in which British interests had decided Indian policy, had not been paid," and urged a more equitable adjustment in future in India's financial relations with England.

7. The next important item is Civil Administration for which provision of 11,56 crores had to be made in the Central budget and 15,76 crores in the Provincial budgets (including Land Revenue Administration) totalling 27 crores. It is universally acknowledged that the cost of

the administration in India is on a far more extravagant scale than in any other country in the world. Even making every allowance for the fact that it was, and even now to some extent it is, necessary to fix a high scale of remuneration to attract the best talent from England to undertake the arduous responsibilities of administration in India in difficult climatic conditions aggravated lately by widespread political unrest, there is no doubt that there is an element of exploitation in the almost reckless extravagance of the Indian scheme. If the pay of the officers employed in military service is added to the officers employed in civil services, it has been calculated that nearly "one-third of the entire Indian Revenue" is drained in this way, that is to say, approximately £328,000,000 annually.

" The higher officials are paid princely salaries as the following figures indicate :—

Viceroy and Governor-General	...	£19,000
Commander-in-Chief of the Forces	...	£7,400
Members of the Governor-General's Council	...	£6,000
Ten Provincial Governors	..	£4,900 to £9,000
Chief Justice (Calcutta)	...	£5,300

About 250 British officials connected with the Central Government draw salaries of £1,850 or more and in each of the ten provinces there are from eleven to thirty-five civil servants with salaries between £1,550 and £4,750. In addition to the

regular salaries, there are generous allowances. The Governor-General is allowed £450 for his furlough. Other Governors are allowed £300, and members of the Executive Council are allowed from £130 to £250. Governors on taking up their posts are granted from £1,200 to £1,800 for equipment and voyage, and personal allowances; and overseas pay of £160 per annum are provided for all higher officials with homes outside India. Pensions on retirement are provided at the rate of one month's pay for each completed year of service."

"The tribute paid by India to British administration is indicated by the salary account of the Central Office, which amounts to £1,220,000 per year. This figure covers the salaries of the members of the Revenue Boards and Revenue Commissioners, the staff of the Accounts and Audit department, the staff of the Paper Currency Office and the India Office, and a salary allowance to the banks for the management of the Indian debt, in addition to the salaries of the Governor-General and the Provincial Governors."

"The annual cost of the India Office in London is £365,800 to which the British Government contributes £136,000, the Indian revenue bearing the balance. The office of the High Commissioner in London costs £272,900 per year. The Secretary of State for India and the High Commissioner are responsible for an

Indian expenditure in England of about £24,000,000 annually to meet the costs of Indian establishments, the recruitment of military and civil services, pensions, the purchase of stores, material for railway construction and other public works, and interest on the sterling debt." *

Mahatma Gandhi brought out the expensiveness of the Indian administration with considerable force in his famous letter to the Viceroy, dated March 2nd, 1930. He wrote: "The iniquities sampled above are maintained in order to carry on a foreign administration, demonstrably the most expensive in the world. Take your salary. It is over Rs. 21,000 (£1,500) per month, besides many other indirect additions. The British Prime Minister gets £5,000 per year, *i.e.*, over Rs. 5,400 per month at the present rate of exchange. You are getting over Rs. 700 (£51 17*s.*) per day against India's average income of less than 2 annas per day. The Prime Minister gets Rs. 180 per day against Great Britain's average income of nearly Rs. 2 per day. Thus you are getting much over five thousand times India's average income. The British Prime Minister is getting only ninety times Britain's average income."

8. The other important item of expenditure to which reference need be made is the cost of the Police, which is exclusively a Provincial charge

* Fenner Brockway's *Indian Crisis*, pages 43-44.

and in 1929-30 stood at 12·28 crores. The rapid way in which expenditure on the Police has mounted up in the provinces may be exemplified from the case of Bengal. The cost of the Police administration in 1929-30 was the heaviest in Bengal being 2,17 crores against 2,01 crores in Madras, 1,79 in Bombay and 1,71 in U. P. The cost of the Police administration in Bengal in 1913-14 was Rs. 82,47,081 and the Police budget now engrosses more than 20 per cent. of the entire revenues of the province.

9. Turning now to the principal Nation-building and Social Service departments which are also Provincial charges, we find that the budget provisions in 1928-29 were as follows :—

Education	12,57 crores.
Medical and Sanitation ...	6,38 ,,
Agriculture and Industries	3,53 ,,
	22,48 ,,

Thus only one-fourth of the Provincial revenues and one-fifth of the revenues of India are employed on purely national objects.

Sir Walter Layton has pointed out that the amount collected by the Government and spent upon education in Britain is as much as £2 15*s*. 0*d*. per head whereas the amount spent on education in British India is less than 9*d*. per head of the population. After the reforms there has been substantial increase in the expenditure on education,

the most progressive provinces in this respect being Madras and Punjab with 82 per cent. and 78 per cent. increase. But even now having regard to the dense gloom of illiteracy which shrouds the country—specially the masses—the expenditure on education is grossly inadequate to meet the clamant needs of the country.

10. Turning to Medical, it is some satisfaction to note that during the Reform period there has been substantial increase on this head. For the pre-Reform period we find that the expenditure from Government funds, Central and Provincial, was only 70 lakhs in 1882-83. It was over a crore in 1901-02 and for the triennium ending with 1913-14 it averaged 1 crore and 40 lakhs. The single head has since then been split up into two: (*a*) Medical and (*b*) Sanitation, and from 1914-15 to 1918-19, during the pre-Reform period, the total expenditure on both averaged 2 crores and 32 lakhs. The increase in expenditure on this head during the Reform period to over 6 crores has been satisfactory. But there is still room for a great deal of progress. The life-and-death importance of medical aid and sanitary improvement in India is universally recognized. Health may justly be regarded as the foundation of all schemes of public welfare. It is at the root of all problems of national progress. Material prosperity and ultimately political power depend on the physical fitness of a people and their

capacity for strenuous and continuous work. Particularly is this the case in a tropical country where physical conditions are strongly against vigorous existence and nature does not favour continuous and arduous exertion either of the mind or of the body. It is an equally well-acknowledged fact that in India not only is nature against us, but man has not exerted himself, to the same extent, as in other civilised countries to conquer nature, and with the assistance of science and organised and co-ordinated action to improve the hygienic conditions of life. Accordingly, in India the death rate is abnormally high, averaging between 38 to 40 for every thousand of the population, whereas the normal death rate in European countries varies from 12 to 30 per thousand In India about one-fourth of the total number of children born die within the first twelve months of their birth, the total loss of child-life being calculated at a million babies every year. What an appalling waste! Actuarial calculations of the duration of life show that in India estimated expectations for male and female lives are 22 and 23 years, respectively, while in England the expectation for males is 46, and for females 50. And what is more significant whereas in England and other civilized countries longevity is steadily increasing, in India successive censuses would seem to show that the average duration of life is getting shorter. The real significance of

the above figures is that the average health of the population of India and their strength are extremely poor, and there are reasons for believing that the standard is getting lower every day. Although our material resources are almost inexhaustible and we have a teeming population, individually the physique of the race is extremely poor, and the first duty of the Government must be to devise means for the improvement of the health and physique of the people. " The vicious circle which has existed for ages still continues," writes Lt.-Col. F. W. D. Megaw, I.M.S., in the *Indian Medical Gazette*, "disease causes poverty and poverty causes disease. More than five millions of people suffer death penalty every year from preventible diseases, many days of work are lost yearly by each worker from the same cause and the efficiency of each worker is diminished by about twenty to thirty per cent. from the combined effect of disease and malnutrition."

11. It would seem almost superfluous to dilate on the importance of the agricultural industry in the economic scheme of India. Even in Europe it is still the most important industry, whether measured by the value of its products or by the number of persons employed in it. In India more than 70 per cent. of the entire population is dependent on agriculture. The majority of others who depend on industries, such as the manufacture of jute, are also indirectly dependent

on this basic industry for the supply of their raw materials. It is the form of industry which is perhaps the most suited to the health of the people and the climatic conditions of the country. Moreover, there is a remarkable parallelism between agricultural prosperity and health conditions, and the decline of agriculture in any part of the country has been invariably followed by the prevalence of disease. From this point of view alone agriculture should be entitled to the greatest respect in India. The surest and quickest way of improving the economic and material condition of the people and securing an advance towards a higher standard of living lies through agriculture. With the level of individual wealth and intelligence so low as it is to-day we cannot hope to see the energies of any substantial portion of the population to be diverted to the successful exploitation of manufacturing industries. The development of the agricultural industry, therefore, holds the key to the economic progress of the country in every sphere. Yet the Agricultural Commission found that of all the civilized Governments, India spends the least per head of the population on the improvements of agriculture.

12. The general reflections that would occur on a study of the data of Indian economic conditions and finance are—

(*a*) That the Indian people are extremely poor, judged on the standard of any other civilized

people of the world either in the West or the East.

(*b*) The ratio of total taxation to national income in India is extremely low.

(*c*) A disproportionately heavy portion of the available revenue of India is drained away to England.

(*d*) Of what is left over, a distressingly heavy proportion is swallowed up by military administration and other unproductive objects.

(*e*) A vicious circle is being established—economic distress and unemployment causing political unrest and anarchical crime, which in its turn necessitates larger expenditure on law and order leaving still less for national and social service departments.

It is clear that, to reconstruct India, to make her people more prosperous and happy and to increase their taxable capacity, the attention of the Government to-day and the Government of the future must be concentrated in breaking through the vicious circle indicated above. The perpetual drain on the Indian revenue must be minimized, and the just share of the Indian public debt and home charges apportioned on strict principles of justice and equity. The scheme of the Indian administration must be subjected to the most rigorous tests of economy so that all available resources of the country may be utilized in building up the foundations of Indian national prosperity.

III

The general features of the Montagu-Chelmsford Financial Scheme—its failure to achieve its objects and causes of failure.

13. In this section I shall deal only with the general outlines of the financial scheme created by the Montagu-Chelmsford Reforms which still holds the field, and with its failure to attain the objects for which it was principally conceived. The principal aim which the authors of the Reforms had was to secure that the largest measure of independence,—legislative, administrative and financial,—of the Government of India which is compatible with the due discharge by the latter of its own responsibility, should be conceded to the provinces, "for if responsible Government in the provinces was to mean anything real, clearly the provinces must not be dependent on the Central Government for the means of provincial development." After describing the previous settlements between the Central and the Provincial Governments, the quasi-permanent allocations and divided heads of revenue, they pointed out how seriously such arrangements operated as an obstacle to the growth of responsible administration in the provinces. They observed: " The existing arrangements between the Central and Provincial Governments must be changed if the popular principle in government is

to have fair play in the provinces." For the practical application of the above principles their scheme was that an estimate should first be made of the scale of expenditure required for the upkeep and development of the services and departments which clearly appertained to the central sphere, and sufficient resources necessary to meet these demands should be secured to the Central Government; and that all other revenues should then be allocated to the provinces for the services and departments under their charge. In certain passages of the report the authors of the Reforms went even to the extent of opining that all fiscal resources of India were to be at the disposal of the provinces except that a deduction should be made for the requirements of the Central Government, but this view was not considered feasible for India which had started as a highly centralised state and which had only moved step by step in the direction of decentralisation. Taking each main source of taxation they considered whether it was more reasonable to regard its proceeds as a central or provincial receipt, while giving due weight to the considerations of practical administration. Their detailed scheme was that customs, non-alcoholic excise including salt, general stamp duties, income tax, receipts from railways and from posts and telegraphs should be assigned to the Central Government, while land revenue and irrigation, alcoholic excise, forests, court fee

stamps, registration fees, and certain minor sources of revenue should be entirely provincial.

14. The calculations which were before the authors of the Joint Report led them to estimate that this distribution of sources of revenue would result in a deficit in the central budget, and they, therefore, proposed, as a transitional measure, a system of contribution from each province to the Central Government. It was mainly to advise on the proportion of contributions which the provinces should make to the Central Government that the Financial Relations Committee generally known after its Chairman, Lord Meston, was appointed. It will thus be seen that it is a mistake to saddle the "Meston Award" with the whole blame for the practical breakdown of the scheme. The flaws which have resulted in the failure were inherent in the scheme of divisions proposed by the Reforms Report, and were only accentuated by the scheme of contributions recommended by the Meston Committee based on misleading figures of expenditure of the provinces for a particular year (1917-18 and then 1920-21). The Reform Financial Scheme must be considered to be a complete failure because it has not given the provinces that power of self-reliance on self-controlled resources which was the primary object aimed at by the authors. Starved as the departments of national well-being had been all along during the pre-Reform period, the

change brought about by the Reform Scheme has been almost negligible, and only a few provinces have been able to advance at a perceptibly more rapid rate in any direction of national well-being. Disappointment has been the keener as the whole *raison d'etre* of the Reforms was to give the people substantial and unfettered powers of national uplift. The root cause of the failure was the fact that although in the new system of dyarchy some elements of responsibility were introduced in the Provincial Governments, the Central Government remained in the hands of an irresponsible executive who were free to carry on the administration on the old principles of military domination and imperialism, and who had the final control over the most profitable and expansive resources of the income of the country. Not only were the most elastic and expanding sources of revenue completely separated and entirely reserved for the Central Government, but the Central Government retained unfettered powers both for borrowing money, imposing taxes, and controlling the revenues of India. Thus we find that in the budget for 1929-30 nearly half the entire revenues of India, *viz.*, 82'22 crores (not taking into account the separated Railway Revenue) were appropriated by the Government of India, and the provinces of India on whom had fallen the duty of ministering to the ever-growing needs of the teeming millions of the

Indian people had to be satisfied with 88,25 crores only. They had no longer any share in the most expanding sources of revenue and were left with mostly inelastic and unprogressive sources of income. This point we shall deal with at length in a subsequent section, and it is only necessary here to observe that a fundamentally different policy should have been adopted in distributing the revenues of India between the Central and the Provincial Governments. As Sir Walter Layton points out, "In time of peace the military budget should be a stationary or diminishing burden and not an increasing one. National enterprises such as the post office and the railways should feed and not be a charge on the central exchequer; and while the functions of the Central Government in civil administration may be expected to grow the expenditure involved is a very small affair indeed compared with that required for a nation-wide development of education, for the improvement of public health, and of sanitation, for the services charged with the great task of increasing the economic productivity of India and for many other functions which have been definitely placed within the sphere of the Provinces." Yet the sources of revenue placed at the disposal of the provinces are not only inelastic but proved in most provinces totally unequal to the responsibilities with which the provinces were charged. The authors of the Reforms had wanted to place sufficient revenues

4

in the hands of the Ministers to enable them to take up the work in the nation-building departments placed under their charge with adequate funds and without the necessity for imposing any fresh taxes, at any rate in the initial stages of their career. To quote Sir Walter again, "Indeed so great was the political importance attached to the obligation to leave each province with a reasonable margin for such development that the Meston Committee actually regarded it as a limiting consideration by which it was bound." As a matter of fact, however, in the very first year after the Reforms in 1921-22, almost all the provinces were faced with heavy deficits, as the following statement from Sir Walter Layton will show :—

(Vol. I, page 353.)

(In Lakhs of rupees.)

	Estimates by Meston Committee of increased spending power gained by the provinces under its scheme.	Actual surplus (+) or deficits (−) in 1921-22.
Madras ...	228	−99
Bombay ...	37	−191
Bengal ...	41	−215
U. P. ...	157	−148
Punjab ...	114	−171
Burma ...	182	+14
Bihar & Orissa ...	51	−15
C. P. ...	30	−24
Assam ...	27	−24

15. But by far the worst feature of these financial arrangements was that there was a grossly inequitable distribution of the revenues amongst the provinces themselves, and Bengal was the worst victim. This was due principally to three causes—the acceptance of the sole criterion of actual expenditure of a particular year only without any examination of the reasons which might have influenced the provincial budgets for the year concerned, and without any regard to the normal total resources of each province, its past financial history and future requirements; secondly, instead of aiming at real equality of treatment, a blind following of an ideal of superficial symmetry and uniformity by assigning the same sources of revenue to each province without any regard to the difference in their present and future revenue-yielding capacity; and thirdly under a mistaken obligation to assign separate heads of revenue to the provinces from those of the Central Government instead of being satisfied with separating the incomes to be assigned to the Central and Provincial Governments respectively. In the next section we shall examine the position in greater detail and see how the combined effect of all these causes has so seriously prejudiced the financial position of Bengal.

IV

The effect of Reform Finance on Bengal—case of Bengal for financial readjustment—her grossly small revenue—disproportionately heavy contribution to India—analysis of causes of inequality —inelasticity of provincial revenue and great expansiveness of Central revenues—Customs and Income-tax.

16. We have just seen that the Financial Relations Committee made the fatal mistake of miscalculating the surpluses of revenue which they expected the provinces would have at their disposal under the award made by them. For Bengal they took a figure of Rs. 709 lakhs based on the 1919-20 budget, as representing the normal income of the province under the classification of revenues then in force, and a figure of Rs. 857 lakhs as representing the normal income under the proposed classification. Allowing for Rs. 43½ lakhs of imperial expenditure transferred to the province, they calculated the expected surplus in Bengal at Rs. 104 lakhs, out of which a contribution of Rs. 63 lakhs was to be paid to the Government of India. The mistake of miscalculating expenditure and ignoring important fiscal and economic differences quickly became apparent. In the very first year of the working of the Reforms the expenditure required to carry on the administration of the province exceeded the revenue by Rs. 120 lakhs; this was admitted by the Government of India.

On the 30th September, 1921, Sir Malcolm Hailey, in moving a resolution to remit the Bengal contribution said: "We (Government of India) have examined the case, both narrowly and critically, and it appears certain that with every economy Bengal must have deficit of not less than Rs. 120 lakhs; even if we made no allowance for any extra expenditure for improvements in transferred subjects such as are desired by Ministers,—improvements which, we are told, are necessary if the Reforms are to be a success—*Bengal would have that deficit, even if it provided only the bare minimum expenditure required to carry on the ordinary administration of the Province.*" What was to the Financial Relations Committee "an unthinkable sequel to a purely administrative rearrangement of abundant general resources" came to pass in the very first year, for not only did the Government of India have to forego the provincial contribution, but the province had to provide for the bare minimum expenditure by imposing additional taxation. The situation was described in the following terms by one of the most responsible public men of Bengal, who held the position of a Minister during the first two Ministries under the Reforms and now occupies a seat on the Executive Council of the Government: "During the years 1921 and 1922 the Government of Bengal retrenched over 1 crore and 30 lakhs in expenditure. The result of taxation and retrenchment without the

compensating advantage of launching new beneficial schemes naturally made the Government, specially the Ministers, very unpopular in the province. It is submitted that the political history of Bengal would in all probability have been different but for this terrible handicap of an inequitable financial settlement. The Government of Bengal increased its resources by taxation and retrenchment to the extent of about $2\frac{1}{4}$ crores of rupees. Even if this amount or even half of it were available for expansion of expenditure in the direction of beneficial measures, the history of Bengal would perhaps have been quite different."

17. Briefly the case of Bengal for a readjustment of the existing financial arrangement with the Central Government is based on the following grounds :—

(1) That Bengal has been subjected for years past to a most inequitable and unfair financial treatment amongst all the provinces of India, and this unfair treatment of the province far from being rectified by the Reforms has been greatly accentuated by the separation of sources of income recommended by the Montagu-Chelmsford Reforms and the subsequent financial adjustment effected by the Meston Award. The above will be apparent if we take into account :—

(*a*) The gross revenue of the province as compared with the other provinces.

(*b*) The share of the provincial revenue which has to be yielded up to the Central Government.

(*c*) The residue calculated per head of the population which is left to the province for her own administration.

Under the present arrangement sources of income which are the most inelastic and unremunerative for Bengal have been allocated to the province, while the most lucrative monopoly sources have been appropriated by the Government of India.

(2) As a result the economic, agricultural, educational and sanitary needs of the province, in fact the departments of government dealing with the moral and material progress of the people, have been systematically starved for years past resulting in deep political unrest not only amongst those who are the avowed leaders of political thought in the province, but throughout the ranks of the educated classes, and this political unrest in Bengal has had a repercussion throughout the continent of India.

(3) That the palliative measures in the shape of a decrease and final extinction of the provincial contribution fixed by the Meston Award and the help intended to be given by Devolution Rule 15 for securing a share in the growing revenue from taxation of income have proved wholly inadequate and futile.

18. In support of the charge of grossly unfair and inequitable treatment of the province, the following statements of the revenue and income per head of the different provinces after the Reforms given in Prof. Banerjea's "*Provincial Finance in India*" may be quoted :—

(1) "In the budget estimates for 1929-30, the revenues in the different provinces are shown as follows: Madras, 18·07 crores; Bombay, 14·41 crores; United Provinces, 13·07 crores; Punjab, 12·54 crores; Bengal, 11·11 crores; Burma, 10·59 crores; Bihar and Orissa, 6·19 crores; Central Provinces, 5·55 crores; Assam, 2·79 crores. Thus it happens that the largest province of India in respect of population ranks a bad fifth in the order of allocation of resources."

(2) "The disproportions appear even more striking when we consider the revenue per head of the population in each province. Taking the budget figures for 1929-30 and the (previous) census figures we arrive at the following result: Burma, Rs. 8·02; Bombay, Rs. 7·44; Punjab, Rs. 6·06; Madras, Rs. 4·26; Central Provinces, Rs. 3·98; Assam, Rs. 3·66; United Provinces, Rs. 2·87; Bengal, 2·38; Bihar and Orissa, Rs. 1·82."

(3) "If we compare the increases which have taken place in the revenues of the different provinces since 1912-13 and 1913-14, we find

that the percentages of increase have been as follows: Punjab, 160; Madras, 131; Bihar and Orissa, 92; United Provinces, 89; Bombay, 81; Burma, 81; Central Provinces, 75; Bengal, 66; Assam, 64. The budget figures for 1929-30 have been taken here for the purpose of comparison with the average of the two years 1912-13 and 1913-14." The position remains substantially the same even if we take the present census figures which shew the population of the major provinces as follows: Bengal, 50 millions; Bombay, 21 millions; Burma, 14 millions; Madras, 46 millions; U. P., 48 millions; Punjab (with Delhi) 24 millions, and take into consideration the revenues of the provinces for 1930-31 which stood as follows: Bombay, 15·73 crores; Madras, 18·47 crores; Bengal, 11·73 crores; United Provinces, 12·13 crores; and Punjab, 13·88 crores.

The above figures speak for themselves and comment is quite unnecessary. As Sir Walter Layton frankly admits, "the disparity between the total expenditure per head in the various provinces which ranges from 1·8 rupees per head in Bihar and Orissa and 2·5 rupees per head in Bengal to Rs. 8·3 per head in Bombay and Rs. 8·6 per head in Burma is so great that it is impossible to believe that it can be entirely accounted for by considerations of differences in density of population, cost of living, and rates of wages and salary."

19. We have considered first the financial position of Bengal with the residue of revenue that is left to her after the Central Government takes its share of the gross revenues collected in the province. Let us now see what the gross revenues of the different provinces have been and what portion of the revenues had to be yielded up to the Central Government and what was left over to the provinces for their own requirements.

(In lakhs of rupees.)

	1921-22.		1925-26.		1928-29.	
	Central.	Provincial.	Central.	Provincial	Central.	Provincial.
Bengal ...	23·11	8·95	26·24	10·71	26·77	10·97
Madras ...	8·85	15·23	6·64	16·93	7·67	17 58
Bombay ...	24·62	13·67	23·88	15·58	24·83	15·22
Punjab ...	2·41	8·85	·71	12·66	1·01	18·15
U. P. ...	3·74	12·42	1·64	12·70	4·22	11·45

Appendix I gives details of the receipts of the Government of India derived from provinces in 1921-22 and 1925-26. (Table prepared by Government of Bengal.) Appendix II gives details of Provincial revenues and Central revenues collected in 1928-29. (Sir Walter Layton's survey, page

230, Vol. II) The deductions to be made from a study of the above figures are that :—

(*a*) Bengal now makes the largest contribution to the coffers of the Central Government of any province in India.

(*b*) She retains the smallest percentage of her resources for her own consumption.

(*c*) Her contribution to the Central Government has shown a steady upward trend.

As regards (*a*) above, the percentages of contributions made to the central exchequer by the provinces are as follows :—

Provinces of India.	Percentage of revenues contributed.	
	1921-22.	1925-2
Bengal	36·0	45·0
U. P.	6·0	1·6
Madras	12·3	9·6
Bihar & Orissa	0·7	0·7
Punjab	4·0	1·5
Bombay	39·0	40·0
C. P.	1·5	1·0
Assam	0·5	0·6
Total	100·0	100·0

A corollary to the above is that India takes from Bengal a far larger part of the total revenues, both Central and Provincial, derived from the province than from any other province. This

may be seen from the following statement based on the revenues of the year 1925-26 :--

(Figures are in thousands of rupees.)

1	2	3	4	5
Province.	Central revenues derived from province.	Provincial revenues.	Total of Columns 2 and 3.	Percentage of Col. 2 on Col. 4.
	Rs.	Rs.	Rs.	
Bengal	26,24,27	10,70,58	36,94,85	71
U. P.	3,48,41	12,71,07	16,19,48	21
Madras	8,86,12	16,89,33	25,75,45	34
Bihar & Orissa	44,53	5,76,73	6,21,26	7
Punjab	1,85,43	11,34,75	13,20,18	14
Bombay	24,22,04	15,58,39	39,80,43	60
C. P.	60,09	5,47,03	6,07,12	9
Assam	43,16	2,53,82	2,96,98	14
Total	66,14,05	81,01,70	1,47,15,75	44

From the above it will be abundantly clear that the province with practically the largest resources in India is subjected to a treatment by which the smallest income per head of the population is left to her amongst all the major provinces of India, and of all the provinces in India except Bihar and Orissa.

20. The above result, as has already been indicated, is due to the fact that under the scheme of separation advocated by the Montagu-Chelmsford Reforms the most inelastic and unremunerative sources of income have been left to the province. The major sources of the provincial income are

Land Revenue and Excise. As the whole of the present Province of Bengal is practically permanently settled the income from Land Revenue has hardly expanded in Bengal, whereas in the other provinces, particularly in the Punjab, Bombay and Burma, there has been substantial expansion. In Bengal the Land Revenue from 1912-13 to 1925-26 has shown an expansion of Rs. 8,35,000 only, whereas during the same period the Land Revenue of the Punjab has increased by Rs. 1,41,79,000, of Bombay by Rs. 1,11,42,00 and that of Burma by Rs. 1,22,13,000. As regards Excise while the average income from this source in Madras with a population of 42 millions (previous) was Rs. 5 crores during this period, and in Bombay with a population of 19 millions 4½ crores, the revenue from Excise in Bengal with a population of 47 millions was only 2¼ crores only. Moreover, if the present political tendencies towards prohibition continue, the revenue from this source is hardly expected to revive from its present state of collapse.

Turning to the sources of revenue of the Central Government we find that almost all of them show large powers of expansion and growth. The chief source of income—Customs—has increased by over 440 per cent. in the course of the last 16 years. Since 1922-23 when the present scale of customs duties was

fixed, their yield has increased from 41⅓ crores to 50 crores or by about 20 per cent. in 7 years. Taxes on income are also elastic and expansive sources of revenue. In 1913-14 the income-tax yielded less than 3 crores of rupees. In 1921-22 it reached the figure of 8 crores and 74 lakhs. It will be seen from the appendices that Bengal and Bombay contribute the largest share of revenue from customs and income-tax, and both sources of income being taken together the contribution of Bengal is the heaviest in India being nearly 24 crores in 1925-26 and over 24 crores in 1928-29.

As regards these taxes it may be true that not all the money raised in Bengal by means of customs duties and income-tax is paid by the people of Bengal, but the part paid by persons from other areas is comparatively small. An analysis of income-tax assessments was made in 1920 at the instance of the Financial Relations Committee which showed that over 90 per cent. of the income-tax collected in Calcutta came solely from Bengal. Out of assessments amounting to Rs. 252 lakhs, which came under examination, Rs. 228 lakhs could be definitely assigned to Bengal, Rs. 23 lakhs were of doubtful origin, and only half a lakh came from assessees whose incomes were known to be derived from outside Bengal. There is no reason to suppose that there has been any great change in the proportions, and it may be

assumed that out of the total of Rs. 341 lakhs of income-tax collected in 1925-26, more than Rs. 300 lakhs came from incomes derived from Bengal.

The Customs revenue is derived from both import and export duties. It is not possible to say what part of the imports paying duty at Calcutta goes to areas outside Bengal, but it is certain that the larger part is consumed in Bengal. With regard to exports, there is no question. Almost all the jute and much of the rice and tea on which export duties have been levied at Calcutta, are grown in Bengal; thus from Bengal is derived practically the whole of the export revenue of the Central Government. The yield of these duties in 1919-20 and 1925-26 was as follows :—

(In lakhs of rupees.)

	1919-20.	1925-26.
Jute	292	364
Tea	50	43
Rice	2	7

The export duty on tea was abolished from the 1st April, 1927.

The denial of any share in the expanding revenue derived from income-tax and customs

duties, or indeed, in any revenue based on the commercial and industrial wealth of the province, except that from stamps, has been felt all the more because the province has been burdened with the increasing cost of administration which commercial and industrial development has made necessary. The increase in cost is spread over a large number of heads and cannot be stated in figures; it is by no means limited to Calcutta; but it may be illustrated by the fact that the cost of the Calcutta Police in 1925-26 (not including pensions, home leave charges and buildings) was more than Rs. 31 lakhs.

Thus Bengal alone amongst all the provinces suffers from all the inequalities of the present financial arrangements. The chief sources of income left to this province—Land Revenue and Excise—are both inelastic and, in proportion to the other provinces, comparatively small. Bihar shares with Bengal the fate of having an inelastic Land Revenue, but it has a comparatively large expanding source of income in Excise. Bombay shares with Bengal the deprivation of any share of the income from expanding industries, but has a large expanding source of Land Revenue which is denied to Bengal.

21. That the above figures and statements prove conclusively that the Reform finance has affected Bengal most injuriously and unfairly needs no further demonstration. The Joint

Parliamentary Committee frankly admitted it and directed that Bengal was to receive special treatment. The Government of India unequivocally admitted the injustice done to Bengal. Sir Walter Layton at more than one place in his review has referred to the unequal treatment of Bengal in the present scheme of financial devolution. We are aware that protests against the present financial arrangements have been made by almost all the provinces, but we think that a close examination of the positions of the other provinces since the Reforms will show that most of the other provinces have no such substantial grounds for complaint as we have. It would be difficult to deny, for instance, that the financial embarrassment of Bombay is due chiefly to the speculative commitments of that province in connection with the development operations in the city of Bombay, and to the disproportionately heavy cost of its administration. In 1926, the Advisory Committee on the Backbay Scheme showed that there would be a loss of over 3 crores over the Scheme. There is no doubt much force in the argument which the Bombay Government have consistently brought forward against the inequity of the policy of totally depriving the province of any share of her growing revenues from the commercial and industrial development of the province, and as we have said in this matter the case of Bengal is very much on a par with that of Bombay. But

from the figures quoted above it would not appear that one can substantiate the contention of her Finance Members (Mr. Lawrence for instance in 1923) that Bombay makes larger contribution to the coffers of the Central Government either from all sources or from income-tax and customs than Bengal. But even if it were the case, Bombay cannot ingore that she has a far smaller population to cater for than the teeming millions of Bengal and some of the other provinces. We have just seen that her income per head of the population is nearly Rs. 8 against about Rs. 2 of Bengal. The present Finance Member, Sir Chunilal Mehta, made an elaborate defence of the strong per capita financial position of Bombay as compared with the other provinces on the ground of the large area she has to administer with a sparse population, and the high incidence of salaries on account of the higher cost of living in the province; but we have already referred to the opinion of an impartial critic like Sir Walter Layton that these considerations are totally insufficient to explain the gross disparity in the incomes of two such provinces as Bombay and Bengal. And when Sir Chunilal contends that "Bombay gives more and better services than other provinces," surely he is treading on very debatable ground, and when finally he explains "that in other provinces local bodies undertake many services and finance them from local revenues which

in Bombay are undertaken by the Government or financed by them," surely he discloses rather a vulnerable than a strong point in the financial position of the province. As regards Madras, it can be pointed out that even by the end of 1923-24 the position of the province had considerably improved, and since the extinction of the provincial contribution in 1925-26 the province has had a big surplus every year, the utilization of which engaged the attention of that province, and in 1927-28 her opening balance was about 2 crores of rupees. Surely Madras and the Punjab are the provinces which have benefited most under the Reforms; and after the Reforms the resources of Madras have substantially increased and if we look back only to 1904-05, we find that since that date the income of the province has more than trebled itself. As a specimen of the kind of argument which this province has very often employed in demanding more revenue, one may recall the observations of Mr. Todhunter in the memorandum from the Government of Madras, 24th February, 1929: "If, therefore, it is a fact that the incomes that pay tax in Calcutta and Bombay are earned in Bengal and Bombay, and that a large proportion of the goods that pays duty in those provinces is consumed in them, that fact seems to afford an unanswerable argument for increasing, and not for reducing, their contribution." In other words, the Government

of Madras urged that where the indirect contributions were large, the direct contributions should also be large, and *vice versa*. Surely this is very much like the famous sportsman who to encourage his sleepy companion made the generous offer, "Heads I win, tails you lose." The United Provinces and the Punjab were in still more favourable positions. In the United Provinces with the gradual reduction and final cessation of its contribution of the Central Government the financial position of the province has considerably improved and the revised estimates for 1927-28 showed a surplus of 152 lakhs. In the Punjab the revenue of the province had increased from 710 lakhs in 1921-22 to Rs. 12,73,000 in 1928-29, and its finances about three years ago were in a most flourishing condition. The revenue surplus in the year 1923-24 to 1925-26 amounted to well over 4½ crores. With the remission of the provincial contribution the province was actually able to finance a large portion of its capital expenditure on productive schemes, such as irrigation works from revenue. In 1927-28 Rs. 125 lakhs was spent from revenue on capital expenditure, while provision was made for a further expenditure of 134 lakhs on irrigation and civil works. How gloomy is the picture of the financial difficulties of the unfortunate Province of Bengal was disclosed in the speech of the Finance Member in introducing the budget for 1927-28 :—

" Even if the contribution to the Government of India is remitted, either temporarily or permanently, we shall have to face a deficit of Rs. 37,43,000 in next year's budget. In these circumstances we may be able to carry on for a year or so, but not unless we can see ultimate relief in the near future ; and that relief must take the shape of a new Financial Settlement which will leave Bengal with an expanding income adequate for her needs and proper development."

" We are again addressing the Government of India reiterating our protests against the present Financial Settlement and our claims for its complete revision. It is not likely, however, that the Government of India will do anything at the moment beyond continuing the remission of our annual contribution. In all probability the question of the total revision of the financial settlement will be left to be examined by the Reforms Commission. The members of that Commission are now in India for a preliminary survey of the position. They will not go into details until next cold weather, but when that time comes, and when the Government of Bengal put their case before the Commission, one of the most important points that they will urge is that the Financial Settlement was wrong *ab initio* and treated Bengal most unfairly, and that it was largely owing to the shortness of funds that the working of the reformed constitution in Bengal has been so hampered and

that Ministers have found it so difficult to carry on."

"The Government of Bengal will put in the fore front of their case a claim for a complete revision of the Financial Settlement, at any rate so far as Bengal is concerned, and unless that is done I am convinced that all parties in the province will be unanimous in thinking that the successful working of the new constitution will be impossible in Bengal, however good that constitution may be in other ways."

I am quite aware under the stress of the present world economic crisis the normal resources of all the provinces have been thrown out of gear and they are all faced with heavy deficits, but for the purposes of this memorandum I have purposely taken the pre-crisis period when the normal effects of the Reform financial scheme were in full play.

V

Indebtedness of rest of India to Bengal in the early British days—early revenue history—efforts at provincial financial autonomy and gradual contraction of Bengal revenue—Permanent Settlement no justification for unfair treatment of Bengal.

22. In the preliminary section I claimed for Bengal that during the beginning of British rule in India that province was the mother of all the other provinces, from whose resources the prosperity and well-being of the rest of India were built up. In 1780 Sir Eyre Coote the Commander-in-Chief writing to the Governor-General and his Council informed them that, "the treasury of Madras was empty, and that the immediate needs at Fort St. George would exceed 7 lakhs of rupees per month, every cowire of which must come from Bengal as he found there were no resources from which a single pagoda could be expected." In a letter written in 1792 to the India House, the Commander-in-Chief pointed out that, "Both the army and the inhabitants in the state in which the country then was had to be maintained chiefly by supplies from Bengal." And the early revenue history of the 3 major provinces of India prove this contention to the hilt. During the first six years after the Diwani (1765) the annual average revenue and expenditure of Bengal were £2,202,207 and £1,504,934 respectively. During the same

period Madras had an average annual revenue of £405,191 and expenditure £595,920, whereas Bombay was in a still worse plight, her average annual revenue being £76,057, while the expenditure was £306,319. The large deficits of both these provinces had to be made good from the revenues of Bengal. For the eight years after 1770 when Bengal was visited by one of the most dreadful famines of modern times, the annual average income of Bengal was £2,626,519 and expenditure £1,435,789 ; Madras had a revenue of £496,476, expenditure £468,390; Bombay, revenue £169,452, expenditure £3,96,451, the total deficiency of Bombay alone during the period came to £1,814,890 and the total contribution of Bengal to the two provinces amounted to £1,852,527. During the period 1814-15 to 1828-29 the aggregate revenues of the presidencies were as follows :—Bengal, £196,121,983; Madras, £82,042,967; Bombay, £30,986,970. The annual Bengal surplus during these 15 years amounted on an average to £1,891,635. Madras showed an annual average deficiency of £205,758, while the average annual deficiency of Bombay was not less than £1,081,595, which all had to be met from the revenues of Bengal. At the same time the province supplied the funds necessary for the expensive schemes of conquest in which the British power was then engaged. It is worthy of note that the milch cow of India even in those

early days did not submit to this systematic exploitation without a demur. In 1768, Governor Verelst wrote, "The great demand which has been made on this presidency from every quarter has reduced the treasury to a very low state, and alarms us for the consequences which must inevitably attend on such a vast exportation from this country." No doubt it is true that Bengal during this period represented practically the whole of Northern India, and it was not till 1836 that under the Charter Act of 1835 the new province of Agra was created, and it was not till 1853 that under the Charter Act of that year Bengal was created into a separate province under a Lieutenant Governor of Bengal. Nevertheless it cannot be denied that present Bengal is the lineal inheritor of old Bengal and the moral claim of the province for past services rendered to the rest of India cannot altogether be ignored. But even after the emergence of Bengal as a separate province in 1853, the process of exploitation of her resources continued unabated, and in 1861, Mr. (afterwards Sir) John Peter Grant complained "that it was a practice handed over from the beginning of the British Empire in India to make Bengal pay much more than its share of the imperial revenue and to give it back in return not a quarter of its share of the imperial funds granted for such objects as military protection, police, roads and other public works. He found this

inevitable practice still in operation and took the opportunity to draw notice to systematic inequalities so injurious to the province with which he was connected." (Letter from the Government of Bengal, 4th May, 1861.)

23. To resume the early revenue history of the provinces. In the first important step taken towards granting some amount of financial autonomy to the provinces by Lord Mayo's Government in 1871, when the provincial services were created and education, jails, police, medical services (in part), registration, printing and public works were made over to the provinces, (Registration being the only department yielding a net income), the following imperial assignments were made to the provinces for the administration of these services—Bengal £1,168,592; Oudh, £206,948; C. P., £261,263; Burma, £275,332; N.W.P., £640,792; Punjab, £516,221, Madras, £739,488; Bombay, £880,075. Further advance was made in 1877 by Lord Lytton's Government when instead of fixed consolidated grants from the Imperial Government, Excise, Land Revenue, Forest, Income-tax and Stamps were made over to these provinces. The next important step was taken 5 years later by Lord Ripon's Government in 1882, when all the incomes and expenditure were divided into three heads. Customs, Posts and Telegraphs, Railways, Opium, Salt, Tributes, the Mint, Home Charges, and the

Military Department continued wholly Imperial: Civil Departments and Provincial Public Works became wholly Provincial; and the others, Income-tax, Forest, Excise, License tax, Stamps and Registration became divided heads to be divided equally between the Central Government and the Provinces; the settlement was for 5 years. The most important principle accepted in these settlements was that, instead of giving Provincial Governments a fixed sum of money to make good any excess of provincialized expenditure over provincialized receipts, a certain proportion of the imperial revenues of each province was devoted to this object. The balance of transfers being against the Provincial Governments, it was rectified for each province by a fixed percentage on its Land Revenue, thus the Provincial Governments were given a direct interest, not only in the provincialized revenue, but also (at that time) the most important of all the imperial revenues raised within their jurisdiction. During the first year of the new arrangement Revenue and Expenditure of the provinces stood as follows:

	Revenue.	Expenditure.
	£	£
Bengal	4,086,872	4,600,292
Bombay	3,399,295	3,350,895
Madras	2,305,591	2,343,300
N.W.P.	2,881,160	2,756,157
Punjab	1,352,692	1,382,161

The result of this arrangement was very unfavourable to the provinces; when no less than 6 provinces exhibited deficits in 1882-83, the deficit of Bengal exceeded half a million pound sterling. But due chiefly to substantial subventions from the Central Government, the financial condition of the provinces improved and in 1887-88 the finances of the 4 major provinces were as follows :

(In thousands of rupees.)

	Receipts	Expenditure
Bengal	4,81,09	4,67 73
N.W.P.	2,99,93	3,04,84
Madras	2,70,11	2,60,22
Bombay	3,79,00	3,81,46

In 1904 the entire relations between the supreme and provincial governments were reviewed and a system of quasi-permanent settlement was started. As a result of the new settlements the shares of growing revenue and the fixed assignments from Imperial to Provincial funds stood thus in the provinces: Bengal, Rs. 4,98,87,000; U.P., Rs. 3,66,64,000; Madras, Rs. 3,50,48,000. As the new arrangement was not so favourable to some of the provinces as the previous one as they received a slightly smaller share of the growing revenues than before, initial grants amounting to 50 lakhs

to Bengal and Madras, and 30 to N.W.P. were made. In 1907 a Royal Commission on Decentralization was appointed and in pursuance of their recommendations the Government of India in seeking a basis for greater permanence carefully revised the existing settlements with a view to the removal of minor defects instead of making any radical alterations in the existing settlements. With the sanction of the Secretary of State in 1912 provincial settlements with Madras, Bombay, U.P. and the Punjab were made permanent and not subject to revision. A permanent arrangement could not however be made with Bengal because of the changes in her jurisdiction, since the partition of the province in 1905 and its re-partition in 1912, and the formation of the new province of Bihar and Orissa. The present Presidency of Bengal dates from the 1st of April, 1912.

24. It has been seen that the present revenue position of the provinces was based on calculations originally made in the Joint Report on the budget estimates for 1917-18 and subsequently by the Meston Committee on the estimates for 1919-20. The budget of Bengal for 1917-18 was only 7·54 crores against 13·31 of Madras and 10·01 of Bombay, 11·22 of U.P. and 8·64 of the Punjab. Now the question naturally arises what accounts for the shrinkage of the revenue of Bengal in 1917-18 as compared with the other provinces.

From the narrative in this section we will find that the revenue of Bengal was substantially in advance of the other provinces even in 1871 when Lord Mayo's Government for the first time created Provincial services and made assignments of revenues for the administration of these services, and though it gradually declined it was still in advance of the other provinces till 1905 when the province was first dismembered into two provinces—East and West Bengal. In 1817-18 the budget estimates of Bengal amounted to 7,54 lakhs and even if we add to this the budget figures for Bihar and Orissa, the total comes to 11,58 lakhs only which are about 2 crores behind Madras. The Government of Bengal have explained that the budget estimates for 1917-18 were specially low as they faithfully and too literally carried out the instructions of the Supreme Government to exercise rigid economy and cut down expenditure to the lowest possible limit in view of the financial stringency caused by the Great War, whereas the same strict regard to these instructions were not paid by the other Governments. But the principal underlying cause appears to have been the operation of the difference in expansiveness and elasticity of the sources of revenue that have been assigned to the provinces, notably that of Land Revenue, Excise and Income-tax since the days of Lord Lytton (1877). As long as Income-tax remained a Provincial

source of income, the advantage of provinces with expanding Land Revenue like Madras and the Punjab was to some extent counterbalanced by the growth of income-tax revenue of industrial provinces like Bengal and Bombay. The failure to discover any scientific principles which will ensure equality of treatment between the provinces has vitiated the financial policy of the Indian Government ever since the beginning of the period when the first steps were taken to grant some measure of financial autonomy to the provinces. The Local Governments and non-official members of the Imperial Council have repeatedly drawn attention to this fatal flaw and underlying weakness of the Indian financial policy; but up to now they have not been able to induce the Government to face facts squarely in the face and realize the necessity "for making any radical alterations in the existing settlements." In 1914 Sir Ibrahim Rahimtoolla put his finger on the weak points of the system and urged the necessity of introducing some principle of equality and justice in the contributions to be made by each province for Imperial expenditure from its total revenue and suggested that the principle should be a proportion to be fixed with reference to the population, needs and income per head of the people of the province, but his sound advice apparently did not receive much attention. We shall however see that if the Government is not

going to set its face against all considerations of sound principle and the lessons of actual experience, Sir Ibrahim's advice will have to be followed in the end.

25. We have just observed that the comparative inelasticity of Land Revenue in Bengal on account of the land being permanently settled by Lord Cornwallis accounts to some extent for the loss of ground in Bengal of her resources since the assignments of 1871. But even if this be admitted, this fact does not in any way meet the arguments on which the demand of Bengal for a larger share of her own revenues is based. In common fairness the total resources collected in a province should be considered *as a whole* when the proportion which the province should be justly called upon to yield up to the Imperial Government has to be considered. It may be true, as we have found, that our land revenue is inelastic, but Bengal has other sources of revenue such as Customs and Income-tax which are amongst the most expanding and profitable sources of income, but which are now appropriated wholly by the Imperial Government. The point, however, which I wish to make here is that the contention that Bengal is not entitled to an equality of treatment with the other provinces in future financial adjustments because she enjoys the benefits of the Permanent Settlement is based on an altogether mistaken conception of the real facts

of the case and their bearing on the present issue. To begin with, the idea of a Permanent Settlement in the lower provinces was conceived by its authors not in the interest of the people of Bengal so much as of the Government for obviating the difficulty in the collection of land revenue. The measure was opposed in Bengal by the Zamindars themselves. The land revenue was fixed as high as possible and within a few years of the settlement, most of the Zamindars were unable to pay and were sold up for arrears. The controversy as to how far Bengal should be victimised for her Permanent Settlement is of very old standing. For an unblushing admission of the real reason of the unfair financial treatment of Bengal, one may profitably quote the observations of Mr. Forbes, the member for Madras, in the Indian Legislative Council and which formed an enclosure to the letter of the Government of India to the Government of Bengal, 3rd May, 1861. Said Mr. Forbes, "When Mr. Grant (Lieutenant-Governor of Bengal) complains that Lower Bengal does not receive its fair share of public works expenditure, I think he leaves too much out of consideration *that the permanent settlement has deprived the Government of the inducement to expend money in these provinces as they would receive no direct return for their outlay*; and although the indirect return would be inducement enough if they could do no better, it is not

surprising that they prefer to expend capital in those parts of the Empire where the return is both direct and indirect.'' In fairness to the Government of India, however, it should be noted that in a previous letter, dated the 4th May, 1861, they observed, "His Excellency in Council observes *that it is undoubtedly true that Bengal has not received its due share of imperial expenditure,* if this share is measured by the considerations noticed by His Honour. On the other hand, the people of Bengal are certainly not the most heavily taxed in India.'' And the reply to the above contentions which Sir Peter Grant the then Lieutenant Governor sent to India would still form an incontrovertible rejoinder to such arguments. (Memorandum dated the 10th August, 1861.) "I hope it is not intended to maintain a principle of allotment between the several Governments of the portion of the general imperial revenues appropriated to imperial public works which is really tantamount to unduly taxing the most important part of the Empire for the undue advantage of less important parts by reference to the permanent settlement. Whatever discussions may be raised concerning the settlement in other respects, its wonderful financial success is beyond all question. The settlement as a whole was a very heavy assessment at the time. *Let the percentage of increase which the gross revenue of Bengal from all sources now as compared with that in 1790 shews,*

be compared with the corresponding percentage in Madras before saying that Bengal works are not to be allowed their share of Bengal revenue, because Government cannot increase the Bengal land tax." That is the pivotal point in the whole argument, *let the resources of the provinces as a whole be taken into consideration* and not only some special sources of income. Another very important point which should not be lost sight of is that a large percentage of the increase in the land revenue of such provinces as the Punjab, Bombay, and Madras are due to the vast sums of money, initially obtained from the revenues of Bengal, which have been sunk in providing irrigation facilities in these provinces which have not only increased the productive capacity of irrigable lands but have also enabled large parts of arid lands to be brought under cultivation. Up to 1927-28 no less than 111 crores were spent in irrigation works and the sum must have mounted by now to 120 crores, of which hardly a crore has been spent in Bengal. If interest at the present rate is calculated on this enormous outlay, that alone will discount the major portion of the increase in land revenue in these provinces. Furthermore it must be remembered that any improvement in the material condition of the people due to the Permanent Settlement in Bengal must re-act on their tax-paying capacity, and we thus find from the table below, shewing the incidence of taxation per head of the populations,

that as a matter of fact if both provincial and central taxes are taken into consideration, Bengal is, with the exception of Bombay, the most heavily taxed province in India, a fact which does not appear to have been sufficiently realized by the Government of India in the letter quoted above.

Province.	Provincial.		Central.		Total.	
	Rs.	A.	Rs.	A.	Rs.	A.
Bengal	2	5	5	3	7	8
U. P.	2	13	0	9	3	8
Madras	4	0	1	11	5	11
Bihar and Orissa	1	11	0	1	1	12
Punjab ...	5	8	0	14	6	6
Bombay	8	0	11	11	19	11
C. P.	4	0	0	7	4	7
Assam	3	5	0	8	3	13

Lastly all arguments for favoured treatment based on the elasticity of the land revenue in the temporarily settled provinces of India are likely to lose much of their point in the future, owing to the fact that under steady pressure of public opinion and of the elected representatives in the Legislative Councils land revenue is rapidly ceasing to be an elastic source of revenue. Either by legislation or regulations the period between re-settlements is being gradually lengthened, the maximum

of increase that may be made at any re-settlement is being lowered, and the percentage of the net assets of the land that may be taken by land revenue is being restricted, which are all tending to make the State's share in the profits from land a more inelastic source of income. As a matter of fact it has been found that the total Land Revenue in India has risen by less than 9 per cent. since 1913-14 and a substantial portion of even this rise is attributable to the extension of cultivation rather than to revision of assessment.

VI

Smallness of expenditure in Bengal on nation-building departments compared to other provinces—neglect of agriculture and irrigation—grave consequences in Western Bengal—Education, neglect of primary and University education—disproportionately heavy expenditure on Police—vicious circle in Bengal.

26. Let us now consider the grave consequences of the continued financial embarrassment of Bengal on the moral and material progress of the people. As we have pointed out before the national and social service departments of all the provinces of India have not benefited to the extent which one had a right to expect after the Reforms, and which was one of the chief objects which the authors of the Reforms had in view. But whatever progress has been possible in the provinces which have been fortunate enough to have benefited to some extent under the new scheme, there has been practically hardly any perceptible advance in Bengal in this direction. For a total present population of newly 51 millions, Bengal has to rely on a revenue of about 11 crores only, which works out to less than Rs. 2 per head of the population, and if even one-third of the sum be made available for nation-building purposes, the sum available will be only about 10 annas per head. If we take Agriculture, Irrigation, Education,

and Public Health to be the principal nation-building departments, taking the budget for 1927-28, we find the following provision for these departments in the different provinces :—

	P. Health.	Agriculture.	Irrigation.	Education.	Industries.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bengal	32,67,000	21,27,000	16,35,000	1.26.11.000	11.85.000	2,08,25,000
Bombay	23,91,000	28.40,000	2,35,90,000	2.05,48,000	93.000	4.94.62,000
Madras	34 77,800	34,84.600	58,64,400	2,17,64,000	20.80,700	3 67,71,800
U. P.	25,97,689	30,24.911	6,90,400	1.76,20,463	12,73,615	2,52,07,078
Punjab	20,82,000	54,59,000	2,97,02,000	1,55,66,000	8,77,000	5,36,86,000

It will be seen from the above that Bengal's provision for these departments was only about less than half of the provision made by Bombay, and almost one-third of the provision made by the Punjab.

The following statements from Sir Walter Layton's survey throw additional light on the subject :—The total figures for transferred services in the three principally agricultural provinces and the two chief industrial provinces were as follows :—

Expenditure—in lakhs of rupees.

	1922-23.	1929-30. (Budget)	Increase.	Percentage increase.
Bengal	353·9	404·0	50·1	14
Madras	411·3	763·8	352·5	86
Punjab	299·0	542·7	243·7	82
U. P.	298·0	388·2	90·2	30
Bombay	453·5	567·6	114·1	25

Sir Walter proceeds to remark that the disparity here revealed is also noticeable when the figures of expenditure on the principal nation-building services are examined separately :—

Percentage increase between 1922-23 and 29-30.

	Education.	Medical Relief and Public Health.
Madras	82	115
Punjab	78	94
U. P.	47	67
Bombay	23	43
Bengal	21	24

Sir Daniel Hamilton shows that for the important work of Co-operative Credit Punjab spends 9 pies per head of the population, Bombay $5\frac{1}{2}$ pies, Madras $3\frac{1}{2}$ pies while poor Bengal can afford to spend $1\frac{1}{2}$ pies only.

Of the smaller provinces, Bihar and Orissa, and to a less extent, Assam, show the same lack of development as Bengal in which last province Sir Walter remarks, "the expansion of educational and other services has practically ceased."

27. We will now consider the matter in somewhat greater detail. Taking the above departments, agriculture and irrigation are of the most paramount importance, for it may be taken as an axiomatic truth that the economic prosperity of the Indian people is reflected chiefly in the prosperity of the agricultural classes. As regards agriculture, from the graph annexed to the report of Industries Committee, it appears that while Madras was able to increase her expenditure on agriculture from 13 lakhs in 1919-20 to 17 lakhs in 1926-27, Bombay during the same period from 13½ lakhs to 16½ lakhs, U. P. from 10 lakhs to 23 lakhs, Punjab from 11 lakhs to 22 lakhs, Bengal was able to increase her expenditure on this most vital sphere of national welfare from 8½ lakhs to 10 lakhs only.

As regards Irrigation there is a general impression that on account of her fairly copious rainfall this province is not in need of any important Irrigation works like Southern and Northern India. Those who have any knowledge of the steady and continuous decline of western and central Bengal due to the decadence and neglect of her ancient irrigation and river systems followed by the decline

in her agriculture and the outbreak of malaria and other diseases will hardly endorse the above opinion. That Western Bengal was one of the most prosperous tracts in the whole of the British India a century ago is amply borne out by the testimony of impartial observers. Regarding the prosperity of this part of Bengal and the existence of a well-regulated and scientific system of irrigation the following extract from Bernier is of very great interest:—

"The knowledge I have acquired of Bengal in two visits inclined me to believe that it is richer than Egypt. It exports in abundance cottons and silks, rice, sugar and butter. It produces amply for its own consumption of wheat, vegetable, grains, fowls, ducks and geese. It has immense herds of pigs and flocks of sheep and goats. Fish of every kind it has in profusion. From Rajmahal to the sea is an endless number of canals, cut in bygone ages from the Ganges by immense labour, for navigation and irrigation, while the Indian considers the Ganges water as the best in the world."

That this area did not lose its prosperity even so late as the beginning of last century will be evidenced from the following quotation from Hamilton:

"That this district (Burdwan) continues in a progressive state of improvement is evident from the number of new villages erected, and

the increasing number of brick buildings both for religious and domestic purposes, nor is there any other portion of territory in Hindusthan that can compare with it for productive agricultural value in proportion to its size. In this respect Burdwan may claim first rank, the second may be assigned to the province of Tanjore in the Southern Carnatic."

What is the picture presented by this part or the province at the present day? The following is the considered opinion of an acknowledged authority on agriculture and irrigation—Sir William Wilcocks, who visited these parts in the cold weather of 1927 :—

"While Central Bengal enjoyed the rich irrigation of the Ganges floods mingled with the waters of the monsoon rainfalls and reaped fatiguing crop after fatiguing crop with no leguminous rotative crops it drew its cheque on capital and lived its prodigal life. Now, however, that it has been deprived of its rich water it has to content itself with rain water for its worn-out fields. Such water cannot restore lost fertility. Forced to grow some kind of legumens it grows the poorest and reaps its scanty harvests. Living principally on rice straw, its cattle are weak and diminutive and scratch the surface of part of the light soil and leave extensive fallows. Over very large areas one single crop in two years is the rule. *Kans* grass is spreading in the lighter

northern districts and will travel apace. The fall of the subsoil water, severest in the north and less and less severe as one goes south, is telling on the fertility of the countless mango and other fruit trees, which are shallow rooted as they were once accustomed to other conditions. The absence of pools has deprived most of the peasantry of the fish they once had in abundance. Drinking water is often scarce. The food of the peasantry is as little nourishing as food can be, and they are, on the top of it, scourged with malaria, which nothing but the rich red water of the Ganges flood or leguminous fodders can combat; and these are the two things they never see."

That the above description is not the result of casual observations only is borne out by the fact that the growth of population of western and central Bengal has received a serious check and in the decade covered by the census of 1921 there was actually a decline in the population of the Burdwan division which decreased from 84,87,506 in 1911 to 80,50,642 in 1921, while that of the Presidency division was almost stationary having been 94,45,321 in 1911 and 94,61,395 in 1921. Similarly it is a most depressing fact that the area under cultivation in the Burdwan division actually contracted from 4,716,000 acres in 1905-06 to 4,088,200 acres in 1913-14. There has been a progressive

diminution of the net cropped area in these parts which is just over half of what it used to be before, and only 5 per cent. of this area is twice cropped on account of the deficiency of the supply of subsoil moisture. The level of the subsoil water has steadily declined to an average of 26 feet below the surface and in some parts to 60 feet and so it would require 104 inches of water to raise the subsoil water level sufficiently for the purposes of winter rice cultivation, whereas the rainfall is only about 50 inches. Suitable irrigation schemes are, therefore, an indispensable necessity for these parts. It is a most distressing fact that whereas in Bengal the area irrigated by Government works has remained practically stationary and in 1925-26 represented 99,535 acres only, in the Punjab the area increased from 2·3 million acres in 1887-88 to an average of 10·4 million acres during 1921-26, and other great schemes are under consideration which will add another 8 million acres to the irrigated area of the province. A consideration which has in all probability prevented a proper examination of the needs of Bengal in this matter is the existence of the Permanent Settlement in Bengal by which the revenue of the State from land is permanently fixed and the State is debarred from claiming any portion of the increased income of the cultivators, which suitable irrigation schemes may help to produce. We have just

seen what little justification there is for the pursuit of such a shortsighted policy. As regards the theory that the copiousness of rainfall in Bengal makes irrigation schemes unnecessary, we might refer to the views of the Director of Agriculture Mr. Finlow on the subject. "Irrigation," he says, "is of critical importance for the paddy crop in Western Bengal in two years out of five, and even in Bengal as a whole the yield of cleaned grain is often cut short by a million tons or more for the want of suitable post-monsoon showers from the beginning of October onwards. The two years, 1922-23 and 1923-24, are striking contrasts in this respect. The year 1922-23 was an ideal year for paddy and the crop one of the biggest ever reaped, but for the want of a few post-monsoon showers the produce of 1923-24 fell short of the yield of 1922-23 by 1,500,000 tons valued at Rs. 75 lakhs Such is the loss of the cultivators, which could be made good by irrigation."

Regarding the possibility of reviving the agricultural prosperity of western and central Bengal and restoring the health of the people Sir William Wilcocks makes the following observations :—

"And if the canals had not been neglected and even injured by being deepened at their heads for navigation, the country would never have become the derelict country it has. The canals will have first to be resuscitated, and later

on the barrage built; and Central Bengal will be richer than it was when its prosperity and salubrity made such an impression on Bernier. Egypt, by its formation, had to spend £5,000,000 on the Aswan dam, will have to spend £3,000,000 more on reservoirs or £8,000,000 in all. The Ganges needs no reservoir. Egypt has already spent £5,000,000 on barrages and is spending £2,000,000 to-day and will spend £2,000,000 yet on completing her barrages. She will have spent £17,000,000 in all for 6,000,000 acres. Central Bengal will be completely served by one barrage for 6,000,000 acres and the complete control of the supply of the Hooghly for Calcutta. £12,000,000 is small sum for so large a programme of work."

One may not agree with the remarks of Sir William Wilcocks regarding the indifference of the Government of India towards important schemes for ensuring national prosperity as far as India as a whole is concerned, but it is impossible to deny that there is a great deal of truth in the following observations :—

"The Government of India has accepted its obligation on rare occasions and on a very small scale. *It was for this reason it turned down the most necessary projects for the well-being of those who were most in want of them, and delighted in reclaiming deserts where there were no poor to provide for.*"

We are aware that a solution of the troubles of Western Bengal may not be so easy as is envisaged by Sir William Wilcocks, that there may be special difficulties in the construction of a barrage across a river which has to discharge vast quantities of flood water during the rains, and the scheme may be far more expensive than anticipated by Sir William Wilcocks. But his recommendations have not yet been challenged by any Irrigation Officer with anything like his experience and authority, and there is the strongest case for the speedy appointment of an Irrigation Committee of Experts to investigate the special problems of Bengal as recommended by the Agricultural Commission.

28. We now turn to Education, and here one may quote the opinion of Mr. Richey who in reviewing the progress of education in India during 1917-22 makes the following observations :—

"The financial inequalities of the provinces cannot but profoundly affect their educational policies. While Bombay with its large and growing revenues can contemplate the early and general introduction of compulsory primary education, it is out of the question for Bengal with its restricted and inelastic resources to consider any such project. Since a well-organised system of education is one of the most potent factors in economic, social and political development the ultimate effect

of such provincial divergencies can hardly be overestimated."

While Bombay during the last 10 years, for instance, has been able to more than double her expenditure on mass education, Bengal has remained almost stationary with regard to this all-important sphere of rural welfare. Taking the figures for the quinquennium 1920-21—1925-26, we find that Madras was able to increase her expenditure from provincial revenues on education from Rs. 1,41,71,000 to Rs. 1,87,52,000 with the result that the percentage of total scholars to population males and females went up from 4·4 to 5·5 during this period. In Bombay the expenditure from provincial revenues increased from Rs. 1,49,10,000 to Rs. 1,92,38,000 with the result that the percentage of total scholars to population increased from 4·9 to 5·57, whereas in Bengal, there has been increase from Rs. 1,35,45,000 in 1921-22 to Rs. 1,43,64,000 in 1925-26 and the percentage of total scholars to population has increased from 4·3 to 4·75 only during the quinquennium.

The transfer in 1921 of the charge of the Calcutta University from the Government of India to the Government of Bengal and the creation of the University of Dacca by an Act of the Indian Legislature have forced Bengal to make recurring grants of Rs. 3 lakhs and Rs. 5½ lakhs to those Universities. This expenditure on

these Universities was not taken into account by the Meston Committee, nor were additional resources given to Bengal when the transfer was made, inspite of the Secretary of State reminding the Government of India of the Joint Parliamentary Committee's recommendations as to the special financial position of Bengal. The burden so transferred was made far greater by the fact that in the previous year the Government of India had accepted the recommendations of the Calcutta University Commission involving Rs. 65 lakhs recurring and Rs. 61 lakhs capital expenditure. *They transferred this liability to Bengal in the same year in which they admitted that the revenues of this province were Rs. 120 lakhs short of the amount required for the bare minimum expenditure.* It is hardly necessary to add that the Government of Bengal have been able to do nothing to carry out the Commission's recommendations for the reorganisation of the University and secondary education. With great difficulty the grants have been found which enable the Universities to exist. The grants for primary education have been increased, but are still hopelessly insufficient; the average pay of a Board primary school teacher is Rs. 9-12 or about 13½ shillings a month. For want of funds Government have been compelled to postpone taking action under the provisions of the Primary Education Bill which was passed into law last

year. A committee prepared a scheme for technical and vocational education, but nothing has been done; and manual training has made no advance since 1916.

It has often been observed that Bengal spends far too much money on University education to the neglect of her primary and secondary teaching, but it is very conveniently forgotten that of all the larger Universities in India the University of Calcutta receives the smallest recurring grant from Government of less than 4 lakhs while its income from public benefactions, fees and other sources is the largest of any other University of India being well over 16 lakhs per annum. The Allahabad University gets a recurring grant of over 7 lakhs from Government, whilst its income from other sources is about 3 lakhs; the Benares University gets on an avarage about 6 lakhs from Government, whereas its income from other sources is just about 7 lakhs ; while the Lucknow University gets on an average about 8 lakhs from Government whilst its income from other sources is less than 4 lakhs.

29. Similarly in the field of sanitation and medical relief although a scheme of rural medical relief was prepared in Bengal 8 years ago, the want of funds has stood in the way of any progress being made in the realization of the scheme, while rapid progress has been made in this field in Madras, for instance, which has a District

Health Service with 26 Health Officers and 261 Health Inspectors. Yet in no province is there greater need for the organization of an effective scheme of rural medical aid and preventive health work as in Bengal, with its damp and insalubrious climate and the strong and growing hold which malaria, kala-azar, hook-worm and other tropical diseases have established over the major portion of the province. But it is not only in rural areas that there is a lamentable lack of suitable medical institution for preventive sanitary work, the condition of the dispensaries and hospitals even at the headquarters of Sub-divisions and Districts is most pitiable.

30. While such has been the starvation of the province in the field of the nation-building departments there has been a continuous increase in the cost of the administration of the Police, which in the last 15 years has increased by more than a crore of rupees and now engrosses more than 20 per cent. of the total revenue of the province. In this connection it is worthy of note that nearly 40 lakhs is required for the policing in Calcutta which yields crores of rupees, in income-tax and customs duties, the whole of which is now appropriated by the Central Government, not a pice being available for the Provincial Administration which has to find the entire sum required not only for the policing of the city, but for the maintenance of the law courts and

educational institutions which are all necessary to enable the business firms and the mercantile population of the city to carry on their business. Another noteworthy point is that although in the departments dealing with the moral and economic progress of the people this province is far behind the other major provinces in India, her expenditure on Police heads the list. In 1930-31 the budget figures for Police for

		Rs.
Bombay	was	1,78,18,000
Madras	,,	1,78,45,800
Bengal	,,	2,15,43,000

It may be said that the comparatively heavy expenditure on the Police in Bengal is necessary to cope with the anarchical and communal troubles so rampant in this province. But the reply is that the economic depression of the intelligentia is primarily responsible for the unrest amongst them and the communal troubles are also in no small measure due to the restriction of the field of useful work in such fields as co-operation and local self-government. Therefore from every point of view a wise policy of economic development of Bengal appears to be essential. I wish very strongly to draw attention to the vicious circle which is in danger of being established in this province. Economic poverty of the masses and unemployment of the middle classes lead to political unrest and

crime. These require the continuous strengthening of the police which means that there is less and less left for the nation-building departments. The result is greater discontent and dissatisfaction particularly amongst the educated and the thinking portion of the population. This must in its turn be followed by greater stringency and increase in the coercive forces of the Government. The time has come for taking bold and comprehensive measures for breaking through this vicious circle, even at the risk of a temporary weakening of the coercive resources of the Government and the efficiency of the administration. A little patience and wise statesmanship is sure to be rewarded by the advent of a new era of contentment and progress. But the financial poverty of the province effectually bars any such policy of economic development being undertaken.

VII

Sir Walter Layton's scheme for financial readjustment —Government of India's criticisms—Professor Banerjea's scheme—recommendation to make export duties provincial—regarding income-tax—adoption of equitable principles for financial re-adjustment—Bengal's minimum claim—necessity for rigid central and provincial economy—appeal to Bengal.

31. Having indicated to some extent the principles which should guide the division of funds between the Central and the Provincial Governments so that the just claims of both may be properly served while at the same time some amount of real equality might be secured in the shares of the provinces themselves, I do not think I can do better than refer briefly to the suggestions which have been made by competent authorities on this subject. As we know Sir Walter Layton has recommended that instead of dividing the revenues of India as at present into two sharply definite classes, they may be considered under four heads, *viz.* :—

" (*a*) Revenue collected and spent by the Central Government;

(*b*) Revenue collected and spent by Provincial Governments;

(*c*) Revenue collected by the Central Government and distributed to the provinces according to the province of origin;

(*d*) Revenue collected by the Central Government and distributed to the provinces on the basis of population.

Under the first head Sir Waltar Layton would place:

(1) Customs.

(2) Income and Super tax, less half the personal income-tax assigned to provinces.

(3) Commercial stamps.

(4) Railway profits.

(5) Profits from other Central services.

As regards—

(*b*) Revenues raised and spent by the provinces; in addition to the existing provincial sources of revenue, this group would include terminal taxes and the right to levy surtaxes on personal incomes chargeable to income-tax. In both cases, maximum rates at which these could be levied by the provinces should be fixed on the ground that excessive difference in these taxes between neighbouring provinces would have harmful economic relations on inter-provincial trade and on the domicile of business.

(*c*) Taxes centrally collected but distributed to provinces according to origin.

This group would include 50 per cent. of the yield of personal income-tax allocated to the provinces and the whole of the income-tax on agricultural incomes.

(*d*) All-India taxes collected centrally but distributed according to population.

This group would include the general excises."

Sir Walter Layton's forecast of the future revenues and expenditure of the Central Government would be as follows :

(*In crores of Rupees.*)

Revenue.		Rs.	Expenditure.	
Customs (after allowing for loss of portion of liquor duties)		54	Defence (reduced by 7 crores and 3 transferred to Burma) ...	45
Income-tax ...	20		Debt	10
Less allotted to provinces	6		Civil Administration ...	13
		14	Cost of Collection ...	3
Commercial Stamps		2	Civil Works	2½
Salt (transferred) ...		Nil	Other (including pensions)	3½
Opium ...		Nil	Surplus	4½
Railways ...	9			
Less additional sinking funds and interest charges ...	3		Total	81½
		6		
Miscellaneous... ...		5½		
Total		81½		

while his forecast of Provincial Revenues excluding Burma at the end of ten years would be as follows :

		Crores
Present Revenue (1929-30 Budget)		78
Group (*b*).		
Surcharge on personal Income-tax		3
Terminal Taxes	(say)	8
Group (*c*).		
Half of personal Income-tax transferred from Centre ...		6
Agricultural Income-tax		5
Group (*d*).		
Provincial Fund		14
	Total	114

32. In their despatch to the Secretary of State the Government of India have observed that the scheme of Sir Walter Layton which contemplates the abandonment within ten years of 12 crores of revenue by the Central Government and the imposition by the provinces of 24 crores of new taxation "is conceived in a spirit of optimism which they find difficult to share, having regard to the general economic conditions, with which India and indeed the world in general are likely to be faced in the years immediately before them, to certain omissions in Sir Walter Layton's survey of the Central Government's position, and to the reluctance which may well be felt by the representatives of the people in the provinces to impose

new burdens of this magnitude." Indeed Sir Walter might well have been more cautious in his prognostication of the future, for economic 'laws' are after all indicative of tendencies merely which depend on their fulfilment on a number of conditions which are not all in evidence at the same time. The despatch also points out that Sir Walter has not worked out in detail the application of his scheme to individual provinces, an omission, rather unfortunate, from the point of view of this monograph. As regards Sir Walter's estimate that on the present basis of taxation after ten years the Central Government will have a surplus of about 14½ crores, as the result of an increase of Customs revenue by 7½ crores, of Income-tax by 5 crores, and a reduction in the Army expenditure by 7 crores, the Government of India observe that "the estimate is dependent entirely on the attainment of favourable trade conditions and on the absence of disturbing factors such as war, political unrest, or frontier trouble." "We have to remember," proceeds the despatch, "that these constitutional changes are being introduced at a period of extreme world depression accentuated by the present internal disturbances, and it would be optimistic to assume that trade for a good many years to come will recover sufficiently to give the results anticipated." We agree that Sir Walter's anticipation of increase of revenue from Customs and Income-tax are far too optimistic, but the saving

in the Army expenditure which he expected in ten years has been effected in about two, and it is almost certain that still more drastic retrenchments in this field are sure to follow in the immediate future. In our view surpluses are more likely to be obtained in the future from retrenchment than from expansion of revenues. The Government of India however accept Sir Walter's proposal to surrender one-half of the Income-tax on personal incomes to the Provincial Governments; and it is calculated that the allocation of this revenue which comes to 3½ crores, will bring 96·08 lakhs to Bengal, 90·67 to Bombay, and 50·8 lakhs to Madras. The Government also accept the proposal that the provinces should be permitted to levy a surcharge amounting to one-quarter of the tax on personal incomes, and this should bring in about half of the above increments. If all the proposals of Sir Walter Layton were accepted and the Central Government were able to surrender half the tax on personal incomes and the salt tax, and the provincial governments were to get the benefit of all the new taxes proposed by him, Bengal would get an increase of 7·70 lakhs or 69 p.c., Madras 6·24 lakhs or 38 p.c., Bombay 4·76 lakhs or 34 p.c., whereas Bihar and Orissa would head the list with a 77 p c. increase of 4·24 lakhs. But as already stated the despatch rightly apprehends serious difficulties in the imposition of the new taxes and anticipates that "the provinces will

have to rely, in the main upon the gradual surrender to them of the central revenues from salt and personal income tax." In view of the many uncertain factors and hypothetical assumptions involved in the suggested financial arrangements, the Government of India are opposed to any hard and fast time-table and want unfettered freedom in deciding the details of the surrender of their revenue. As a fair solution of the urgent needs of the industrial provinces pressed by Sir Walter Layton, the Government of India suggest that the surrender of the first two crores of revenue might be in the form of personal income-tax and that thereafter the surrender of revenue should be from both salt revenue and income-tax in equal amounts. The caution and circumspection of the Government of India are quite understandable from their own point of view, but there is the other side of the shield which has also to be considered and the clamant needs of the provinces require immediate attention. The special value of Sir Walter Layton's survey is in having brought out forcibly this point of view, and if his premises are somewhat faulty it is for the Government of India to point out how the provinces are to obtain the relief which Sir Walter so strongly advocates. In criticising Sir Walter Layton's proposal the Government of India make two pronouncements which appear to be open to objection. Apprehending that the

expansiveness of customs and income-tax are nearly exhausted the Government propose to reserve the salt-tax as a "potential emergency reserve for reinforcing revenues in an emergency." Surely the Government must abandon all hope of falling back on the salt-tax for replenishing their revenue, if they are to have any regard for the voice of public opinion in this country. We have to enter a still more emphatic protest against the Government of India's recommendation for the rejection of the demand of Bombay and other Provincial Governments "that a special inquiry into the needs of the different provinces should be made before any scheme of financial adjustment is again finally accepted." If we wish to avoid the flagrant mistakes and shortcomings of the present scheme, and if it is intended to draw together the various provinces into closer bonds of mutual trust and understanding under a federal Indian constitution, the first step should no doubt be the extension of financial justice and equality to all the individual provincial states. It is to be sincerely hoped therefore that 'the fact-finding financial committee' about to be convened will begin its labours by clearing the ground, by examining the needs and just claims of all the parties concerned, undeterred by the difficulties and the magnitude of the task. It may be hard to please all the contending parties as apprehended by the Government of India, but it may still be

possible to make an honest effort to do justice to all.

33. Professor Banerjea in the final chapter of his book recommends that the three tests of revenues, needs, and actual expenditure should be taken simultaneously into consideration in the future adjustment of Indian revenues, and that the criteria to be laid down are: (1) that when a distribution of resources is made on the basis of provincial autonomy, it is essential that every province should get its just and legitimate share, (2) that every province should be given some elastic and expansive sources of income. He begins by pointing out that the idea that some sources are inherently central and others are inherently provincial is an entirely artificial one and does not find any support from the actual separation of the revenues in other federal governments. Until recently the line of division adopted in most federal countries was between direct and indirect taxes, the former belonging to the States and the latter to the federal governments, a scheme, by the way, which has been strongly advocated by the Bombay Government and appears to have been accepted in principle by the Round Table Finance Sub-Committee. This distinction, however, has been found impossible to maintain and in most cases direct taxes are now levied by the federal governments as well as by the States. "Thus while it is generally considered desirable

to separate," remarks Professor Banerjea, "as much as possible the sources of revenue of the Federal Government from those of State Governments, in practice, an absolute delimitation of the spheres of taxation is not to be found in any country. On the other hand, the most distinctive aspect of the modern movement in Federations is to consider the question of taxation as one whole." "More and more," says Professor Seligman, "the fiscal problem is being envisaged as a totality, and the relative claims of the community, state and central governments are being considered from the point of view of an equitable distribution of the entire burden resting upon the individual or class." Professor Banerjea recommends that the adoption of a system of divided heads of revenue will best meet the requirements of the case, and probably result in a substantial equal treatment of all the provinces, if we give different proportions of such heads to the different provinces. In this view I entirely agree. "In the new scheme some sources of revenue would be entirely central, and some others entirely provincial; while a few would be divided. Of these last, one or two would have to be used as 'balancing factors' in order to correct errors or to remove any inequalities which might otherwise occur, and thus to secure adequate resources to all the provinces. The 'balancing factors' would also be helpful for remedying any defects which

might be found in the future working of the system.'' He therefore recommends that, import duties, salt, opium, the excise duty on petroleum and kerosene, the net profits from railways, the receipts from currency and coinage, tributes from Indian States, and all receipts from central departments should be retained by the Government of India. Land revenue, irrigation, stamps, excise (with the exception of the income derived from opium and locally manufactured foreign liquor), registration fees, and the taxes mentioned in Schedule I to the Scheduled Taxes Rules, would belong to the provinces. Income-tax would be divided between the Central and Provincial Governments. Export duties and the revenue derived from locally manufactured foreign liquor and from opium vends would be under the control of the Government of India, but used as 'balancing factors.'

34. In the above recommendations, the point of interest is that under the head Customs while import duties should remain an entirely central sources of income, export duties should be divided between the Central and Provincial Governments, and be utilized as a balancing factor. With regard to the objections against making over part of the export duties to the province of exportation on the ground that the burden of the duty does not fall on the people of the province, the opinion of the Taxation

Enquiry Committee is quoted to show "That there exists a possibility that in certain conditions of the trade, a portion of the export duty may fall on the producer." In any case there is no reason why the province which has to pay for all the administrative expenses in connection with the production of the articles to be exported should not claim a portion of the export duties. If necessary the administration of the department may remain in the hands of the Central Government as now only a portion of the proceeds being made over to the producing province. One realizes the great importance and necessity of keeping at least one important source of revenue entirely for the federal government, but at the same time the Expert Committee which is to work out the details of the financial scheme of the future Indian constitution might find some difficulty in satisfying the just claims of Bengal for adequate revenue if she is not allowed even a half share of the export duty on her monopoly article, jute, and it is to be hoped that the Committee will not consider the present directions of the Finance Committee of the R.T.C. to be sacrosanct on this point, particularly as the independent States are likely to join vitally interested provinces like Bengal in pressing this demand.

As regards Income-tax which is at present almost an entirely central source of revenue, it

should be remembered that in all federal countries, it is either wholly or in part a source of State or Provincial revenue. In the United States, Canada, Australia, taxes on incomes were till recently levied only by the States but now such taxes are levied by the federal governments as well as by the States, whereas in Germany and Switzerland direct taxes including the income-tax is divided between the Central Government and the States. As land revenue is now a provincial source representing levy on agricultural incomes, it is only reasonable that a portion at least of industrial incomes should also be available for the provinces, particularly as industrial development is now a provincial subject and there would be no inducement for any expenditure of any large amount on this most important sphere of provincial prosperity unless the province had some share in the income to be derived from industrial incomes. It is a matter of the most serious concern that although from the date of the introduction of the Reforms during the first seven years, *viz.*, from 1921-22 to 1927-28, Bengal contributed no less than 37 crores and Bombay 34·41 crores of Income-tax revenue to the Central Government the total amount received by the provinces under Devolution Rule 15 was for Bengal, 95 lakhs and Bombay 17·32 lakhs, while curiously enough provinces like Madras which had made comparatively small contributions received much

larger rebates. Professor Banerjea thinks that the best form of dividing the income-tax would be to give the super-tax to the Central Government and the ordinary income-tax to the Provincial Governments. But as it may be considered desirable to allot some portion of the ordinary income-tax to the Central Government and at the same time to make over a portion of the proceeds of the super-tax to the provinces, Professor Banerjea suggests that the most equitable system of allocation would be to provide "that (1) so far as the ordinary income-tax is concerned, the collections on incomes of persons resident abroad should belong to the Central Government, (2) the remainder of the proceeds of the income-tax should go to the provinces. (3) the whole of the super-tax revenue should be an all-India resource, and (4) the corporation profits tax should be divided between the Central and Provincial Governments. The bulk of the ordinary income-tax should, in any case, belong to the provinces. Fortunately however the Round Table Finance Committee appears to have decided that the whole of the proceeds of income-tax should be allocated between the provinces. If the Expert Committee is able to give effect to this direction in its entirety, the observations made above would appear to be superfluous. They may however prove helpful in any discussions that might arise on this point, specially if it be found necessary to

deviate in any measure from the Conference's decision.

35. While on the subject of individual taxes and sources of income, I need only add that Professor Banerjea has controverted some of the minor recommendations of Sir Walter Layton. Sir Walter has proposed that the provinces should make over commercial stamps to the Government of India and that the latter should reduce the import duty on foreign liquor to the standard luxury rate of 30 per cent. (before the present increase), allowing Provincial Governments to impose excise taxes on such liquor to the extent of the amount of duty reduced. One should agree with the Professor that the proposal is a retrograde one, for as pointed out by him commercial stamps are a fairly expanding source of revenue, while the consumption of liquor is likely to steadily diminish in future. Sir Walter Layton's second proposal is that only one half of the proceeds of the income-tax on personal incomes should be made over to the provinces. As Professor Banerjea points out this does not go far enough, and fortunately need not be discussed now in view of the Round Table Conference's decision that the entire revenue from income-tax should be available to the provinces. Similarly Sir Walter's other proposal that the salt duty should be made provincial needs no comment as the Round Table Conference has rightly decided

that this unpopular tax should continue to remain a central source of income.

36. But it is not necessary nor do I think it would serve any useful purpose for me to discuss at any greater length the exact division of revenues between the Central and Provincial Governments. This is a task which the Round Table Conference has assigned to the Expert Committee which one hopes will soon be appointed. By indicating that only customs and salt should be retained by the Federal Government and all the other sources of Indian revenues should be allocated to the provinces which should make over such suitable contributions as might be found necessary to make up for deficiencies in the Federal revenues (which, however, should cease after 10 or 15 years) the Conference appears to have accepted the broad principle that there need not be any unbridgable gulf between the resources of the Federal and the Provincial Governments. I think for some time to come the Central and Provincial Governments must be prepared to share the vicissitudes of the Indian national finance, either of individual sources of revenue or of the total resources of the country and it would be unwise to impose unremovable barriers between them. We are some way yet before we can think of a definite and immovable statutory line between the revenue resources of the provinces and the centre as envisaged by Lord Lothian. By

implication the Round Table has also accepted the principle that the expanding and ever-growing needs of the provinces have to be kept in mind and their contributions to the federal exchequer extinguished as quickly as possible. This is no doubt very sound, but unfortunately the real difficulty will come into view when the Expert Committee will have to decide about provincial contributions on any principles of equality of financial treatment that will be acceptable to all. On what principles are they going to rely ? If Bengal is compelled to yield up the whole of her most profitable source of revenue—Customs—clearly she will be entitled to very generous treatment in other respects. We have already indicated the tests which might be considered when adjusting the contributions of the different provinces. We would not of course claim that it would be possible to confine each province within the limits of an exactly equal arithmetical proportion, but we would recommend that the line to be reached after careful calculation of the needs of the Central Government should be steadily kept in mind and the deviation from this line either above or below should only be permitted on the strongest possible grounds. Taking the revenues and expenditure of the Central Government and the provinces as a whole, they might be put down roughly in the region of 80 crores each, and therefore each province should have the right

to claim for herself at least half of the revenues collected in the province. Unfortunately as has been shewn in Section IV, under the present arrangements while some provinces like Madras and Punjab get much more than half of their total revenues from all sources poor Bengal is not allowed to retain even one-third, a half share of her revenues would entitle her to 18 crores. Bengal would not be unreasonable enough not to see that it may be necessary for her in the proposed re-adjustment to contribute from her revenue at a slightly higher rate than probably some other provinces which may have strong grounds for special treatment, either on account of their comparatively undeveloped resources or absolutely irrevocable commitments, but nothing short of actual compulsion will make any section of independent intelligent opinion in Bengal and her government reconciled to a state of affairs which will leave Bombay with a population of 21 millions with revenue amounting to 15·73 crores, while Bengal with a population of 50 millions should have an income of 11·73 crores. We insist that Bengal must be placed on at least the same footing as far as revenue resources are concerned with the present revenue position of Madras and Bombay ; and that she should not be penalized any more either for her political or land settlement sins.

37. It is obvious that if by any redistribution there is going to be a substantial increase in the income of any province, it must be either by economising the cost of the administration of the Central and some of the Provincial Governments, or by additional taxation. As regards the first, it is perhaps a blessing in disguise that at the present moment the Indian administration is faced with a huge deficit of nearly 40 crores and hitherto unimaginable economies to the extent of 3 crores of rupees in the general administration and 4½ crores in military charges have already been accepted. Similarly the provinces are engaged in exploring possible avenues for economising and pruning down their overgrown system of administration. But what is really necessary is not only economies in details but the adoption of an entirely new scheme of administration for India altogether. If under the new scheme of Reforms responsibility is in reality transferred to the shoulders of the people themselves, one may safely leave their representatives to devise schemes which will be suited to the requirements of the case, and which will be within the financial capacity of the people of the provinces who will have to pay the cost. One may easily envisage that when the heat and dust raisee over parochial and communal jealousies subside and India becomes an autonomous and self-determining nation, one of the first objects to

which the energies of her representatives will be directed would be to effect economy by reducing the number of Indian provinces instead of attempting to multiply them. As regards new taxes that is also a matter which may be left to the new governments to consider and devise.

38. The above observations apply equally to all the provinces, but Bengal has a special case which she can place before the bar of any impartial tribunal. For more than half a century the unfortunate province has been subjected to ever-increasing financial stringency till decay and stagnation threaten to paralyse all the arteries of her natural and healthy growth. As has already been pointed out almost the whole of Western and Central Bengal, once the richest and most flourishing parts of India, are in the grip of malaria and other decimating diseases till they are to-day the unhealthiest and most decadent tracts in the whole of British India. Indigenous industries are more backward in Bengal than in any of the major provinces of India and even her staple industry of agriculture shows no signs of marked progress under the influence of modern methods as are visible in other parts of India, notably in the Punjab. Bengal wants larger financial resources more urgently than any other major province to feed her children, to spread the light of education and enlightenment amongst them, to save them from disease and mal-nutrition, to stimulate her

stagnant staple agricultural industry and to open out and develop other industries to relieve the ever-increasing pressure on land. Even in the matter of her territorial jurisdiction she has been most unfortunate and in recent years frequent changes have interfered with the continuous pursuit of definite lines of policy, and the last change has deprived her of a portion of her richest mineral area. It is true that since almost the beginning of her creation as a separate province her Lieutenant Governors and Governors have pressed for more equitable financial treatment, and within recent years successive Governors and their Governments have made urgent appeals to the Government of India and to the Secretary of State, but unfortunately we have not been able to move the cumbrous machinery of the Indian Government out of the rut of financial policy into which it has dug itself. Powerful vested interests have also been in the way. But now at last when democracy promises to bring equal rights and justice to all, this is our golden opportunity to make a determined and united effort to place our case fully before the committee which will shortly meet to settle the financial problems of the future constitution. And in this all-important national task the Government must lead the way. Hindus and Moslems must lay aside their ephemeral differences for power and influence and hand in hand fight for the rights of their common mother. And in this

struggle we are entitled to the support of our European fellow citizens also, for they must realise that in the prosperity of the people of Bengal lies the prosperity of trade and commerce in which they are principally concerned. Bengal has the largest European population of any province in India and surely it cannot be a credit to their community that Bengal is steadily losing ground when other provinces are forging ahead. The dictates of self-interest and duty alike demand that we should all join hands and help, while there is yet time, to build up afresh and reconstruct this province of unbounded and unlimited resources where surely there is room enough for all of us to live in peace and prosperity.
